

DEPARTMENT OF FOOD AND AGRICULTURE

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September 20, 2004

TO THE INTERESTED PARTY ADDRESSED:

On August 4, 2004, the Department held a public hearing to consider amendments to the Milk Stabilization and Marketing Plans for Market Milk (Stab Plans) and the Milk Pooling Plan for Market Milk (Pool Plan). The Department called the hearing after receiving a petition from Clover-Stornetta Farms, Inc. The amendments under consideration were regarded to milk movement incentives, as known as Transportation Allowances and Credits.

A total of six formal proposals for changes to Transportation Allowances were carefully considered and the Department has determined that the following changes are warranted.

For Northern California:

- Because of declining local milk production and competition from other plants currently eligible for allowances, Marin and Sonoma counties have been added to the Solano receiving area and with a new name: North Bay receiving area.
- As a result of increasing hauling rates, the Department has decided to make modest increases in allowances for the Bay Area Receiving Area.
- Substantive rate increases were requested for the Solano (now North Bay) receiving area. Because this would have resulted in rates above those for the Bay Area receiving area, the Department has decided to make more moderate rate increases that will create a fairly level playing field between the two areas.
- Because the increased rates for the North Bay receiving area would put the Sacramento receiving area at a disadvantage, the Department increased the allowance rates by the same amount as the increases in the North Bay receiving area.

For Southern California:

- Because of declining local milk production and rising hauling rates, the allowances for the Southern California receiving area has been increased.
- The number of mileage brackets has been increased from three to four for the Southern California receiving area to address concerns over ranch milk from the Barstow area.
- Because of rising hauling rates, the Department has decided to grant the request for an allowance increase for the San Diego receiving area's first mileage bracket.

The two formal proposals for changes to Transportation Credits were also carefully considered, and the Department has determined that no changes are warranted at this time. The credits on plant-to-plant milk from Tulare County already exceed the comparable costs for milk moved using the allowances. In addition, the current combination of allowances and credits for Los Angeles County makes them competitive with credits for Tulare County.

There was testimony to eliminate the current milk movement system. However, this concept was not submitted as a formal proposal as provided by the hearing notice. Unlike the other five alternative proposals that were submitted within the accordance of the hearing notice, the Department was not able to notify all interested parties that the issue would be considered at the hearing to ensure complete input and analysis on this matter.

The attached table shows the current and new Transportation Allowance rates and mileage brackets. They will be reflected in the Amendments to the Milk Pooling Plan for Market Milk, Order Number 104, to be effective October 1, 2004. No changes were made to the Stabilization and Marketing Plans for Market Milk (Stab Plan).

The Hearing Determinations, the Panel Report and more detailed explanation of the Department's decision can be obtained on the Department's website at www.cdfa.ca.gov/dairy. From the main page, click on [Announcements, Hearings and Statutes] and then on [Dairy Hearings Matrix]. If you wish to receive a hardcopy of the hearing results please contact the Milk Pooling Branch at 916-341-5901 or Dairy Marketing Branch at 916-341-5988.

Should you have any questions or desire further information, please contact Tom Gossard with the Dairy Marketing Branch or Don Shippelhouse with the Milk Pooling Branch at the numbers above.

Media contacts and publication staff are asked to contact the Department's Public Affairs Office by e-mail at cdafpublicaffairs@cdfa.ca.gov or by telephone at 916-654-0462.

Sincerely,

Original Signed by:

John Lee, Chief
Milk Pooling Branch

Original Signed by:

David Ikari, Chief
Dairy Marketing Branch

Changes in Transportation Allowances as a Result of the August 4, 2004 Hearing

	HEARING DATE		current	Revised
	ORDER DATE		Jun 03	Aug 04
			Aug 03	Oct 04
Ranch milk received in:	CONSTRUCTIVE MILES		DOLLARS PER HUNDREDWEIGHT	
Bay Area Receiving Area	0	to 99	\$0.24	\$0.25
	100	to 199	\$0.28	\$0.29
	200 and over		\$0.30	\$0.30
North Bay Receiving Area (Sonoma-Marín now included with Solano)	0	to 44	\$0.15	\$0.18
	45	to 99	\$0.20	\$0.25
	100 and over		\$0.25	\$0.29
Sacramento Receiving Area	0	to 59	\$0.09	\$0.13
	60 and over		\$0.12	\$0.16
San Diego Receiving Area	0	to 89	\$0.09	\$0.10
	90	to 139	\$0.43	\$0.43
	139 and over		\$0.58	\$0.58
Southern California Receiving Area split the 90 - 139 mileage bracket	0	to 89	\$0.09	\$0.10
	90	to 120	\$0.43	\$0.29
	121	to 139	\$0.43	\$0.48
	140 and over		\$0.58	\$0.62